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VIEWS

OF

J. W. SCHUCKERS, ESQ.

OF PHILADELPHIA,

ON

RESUMPTION OF SPECIE PAYMENTS.

DELIVERED TO THE

COMMITTEE OF THE HOUSE OF REPRESENTATIVES ON BANKING
AND CURRENCY, JUNE 5, 1878.



WASHINGTON:
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1878.

VIEWS OF MR. J. W. SCHUCKERS.

WASHINGTON, D. C., *June 5, 1878.*

Mr. EWING. We are informed that you were private secretary to Mr. Chase while he was Secretary of the Treasury.

Mr. SCHUCKERS. I held a confidential position under Mr. Chase during nearly the whole of his administration of the affairs of the Treasury Department, and for a considerable part of the time was his private secretary, as well as when he was Chief Justice.

Mr. EWING. I suppose you have given a good deal of study and attention to the currency question?

Mr. SCHUCKERS. Yes, sir; I have.

Mr. EWING. Particularly with reference to resumption of specie payments?

Mr. SCHUCKERS. Yes, sir; specially with reference to the question of resumption.

Mr. EWING. Will you please state whether, in your judgment, it is practicable and consistent with the public welfare to resume specie payments on the 1st of January next, according to Mr. Sherman's proposed plans?

Mr. SCHUCKERS. In my judgment it is not consistent with the public welfare to resume specie payments on the 1st of January next, nor at any other time; and I see no reason for believing that Mr. Sherman can establish a successful system of specie payments, as he says he can do eight months hence.

Mr. EWING. The premium on gold is down to one-fourth and three-eighths of 1 per cent.

Mr. SCHUCKERS. Yes; gold has fallen. But the decline in the price of gold is due to progressive prostration of the industries and commerce of the country under the surgery of the resumption act, and to "rigging" of the exchange-market by the bank-syndicate. This method of depressing the price of gold is not new. Mr. Chase tried it during the early part of the war. It produced temporary effects, and was a good thing for bankers and importers, but was a poor thing for the Treasury, and was abandoned. Mr. Sherman and the syndicate will abandon it also. My belief is that it will be found a good deal more difficult to get rid of the present apparently nominal premium of one-half to one per cent. than it was to reduce the premium from 8 or 10 per cent. down to 1. The season of the year at which Mr. Sherman will begin operations will be favorable to him, but I feel assured that he cannot bring gold and paper to an actual par between this time and the 1st of January next. Besides, a nominal par does not constitute specie payments.

Mr. EWING. You say that you do not believe it consistent with the public welfare to resume specie payments on the 1st of January next, nor at any other time. Will you please explain this?

Mr. SCHUCKERS. In my judgment the public welfare lies in exactly the opposite direction. I think it of the greatest possible importance that the country shall be permanently relieved of the despotism of the bank-paper or semi-metallic system. I am aware that this is not an orthodox New York or New England or Old England view, and that I am likely to be referred to our continental bills of credit and the French assignats as dreadful examples of the evils of inconvertible paper notes. The bills of credit and the assignats seem to constitute the entire stock in trade of the resumptionists. I have read a good deal about both, and am willing to allow that many hardships attended upon their use; but can't see how the American colonists could have got along without the bills, nor has the possibility of so doing been pointed out by anybody. The Revolution would have failed before the end of the first year of the war except for their use, and the French never could have made their revolution successful, nor prevented themselves from passing under the dominion of foreigners, but for the assignats. Both the bills and the assignats were the inexorable necessity of people struggling for freedom, and they wrought immense services. The revolutionary war was sustained for five years by the bills. There was little or no specie in the country; the Continental Congress had no power to tax, and all they could do was to print bills, which they did; and I think rightly. Mr. Breck says specie was so scarce, that in the two years 1777 and 1778 the whole amount of metal disbursed by Congress was less than \$157,000; a sum, he says, which in gold would weigh 700 pounds, and might have been put in a wheelbarrow; and it was used by the commissaries of prisoners in places where the bills would not pass, that is, in places in possession of the British. Bad as the bills were, they were far better than no money at all. But I am sure that the mischiefs wrought by them bear no sort of proportion to the mischiefs wrought since by paper notes professedly convertible into specie on demand. It seems to be forgotten or unobserved that although our national life under the Federal Constitution began only eighty-nine years ago, we have spent nearly thirty of them in the use of inconvertible paper money, and that thirteen of the thirty have been spent in operations for bringing the people down to what in the resumption slang is called "rock bottom." There are more people out of employment in the country at this hour and in actual want, as a consequence of operations under the resumption law, than there were inhabitants in the whole thirteen colonies during the war of the Revolution. I may add, too, that the operations of the last three and a half years for "hard-pan" (which is another of the truly-elevating watch-words of the resumptionists) have wrought more injustice and suffering than resulted from all the monetary disorders of the country during the rebellion and up to 1875. The convertible system is one that can stand no severe strain. Adam Smith said a hundred years ago that a nation might as well go to war with paper guns as with paper money, but experience shows that a resort to inconvertible paper is the one fundamental fact of modern war. The convertible system always collapses in war; then the inconvertible system is resorted to; then, when the war is over, the people are forced into the hardships and losses attending upon a restoration of the metallic standard; and after it is restored we are no better off than we were before. We suffer as great fluctuations in prices, speculation is as rife, and commercial convulsion as frequent and severe, if not more frequent

and more severe, than under the paper system. Besides which, we have seen that system explode three times in this country in time of peace; and, what is remarkable, the more brilliant and promising the outlook, the more imminent was the danger of collapse or explosion.

The CHAIRMAN. But has not the system operated well in Great Britain?

Mr. SCHUCKERS. The convertibility of the paper-notes has been better sustained in Great Britain than in the United States, but in other respects the metallic system has been no better than in this country; and there is the distinguished authority of Lord Overstone for saying that the Bank of England between 1825 and 1844 was three or four times on the verge of suspension, and saved herself by producing an extraordinary and destructive pressure on the commercial community. There was a great panic in England in 1825, up to that time unparalleled in the history of the kingdom, so extensive and distressing in its effects that even Mr. Tooke, in commenting upon it, said that it was doubtful if the evils of the convertible system were not so great and preponderating as to outweigh all considerations that could be urged in its favor. Then there was the panic of 1837 and the "pressure" of 1839, and then the panic of 1847, and those of 1857, 1866, and 1875, to say nothing of difficulties and pressures of greater or less intensity at intervening times. Richard Cobden, in his evidence before a committee of the House of Commons in 1840 on banks of issue, declared that the fluctuations in the British currency in the two years 1836 and 1837 had produced greater evils, pecuniary, social, and moral, than had resulted from the direct failures of all the banks of issue that had taken place since such banks were first established in the kingdom; which shows that, in the judgment of so eminent a man as Richard Cobden, the measures necessary to sustain the convertible-paper system operated more destructively upon the public than an outright explosion. That system puts the whole commerce and industry at the mercy of a few millions of metal. I don't know that I can give any better illustration of its malignant character than by recounting its operation in Great Britain in 1847, at a time of extraordinary calamity and distress. It was the year of the Irish famine, as you will recollect. The suffering from the famine was appalling. The number who perished of actual hunger and deprivation in Ireland, and from disease engendered by want, from beginning to end, is estimated at over a half million of persons. England did not escape, and the extent of the suffering in that part of the kingdom is shown by the fact that in Liverpool there were a hundred and thirty-two thousand applications to the parochial authorities for poor's relief in the course of a single week. The facts are these: There had been a failure of the potato crop in 1846, and a serious deficiency besides in the wheat harvest. There was a partial failure also on the Continent, so that in the fall of the year there was an extensive rise in the price of bread-stuffs, which continued throughout the winter into the spring of 1847, at which time the greatest apprehensions of impending famine prevailed. In these circumstances the British merchants began the importation of corn from the Continent and from America, and to withdraw gold from the Bank of England to export in payment. One would suppose that, in circumstances like these, the presence of a great reserve of gold to be freely had in exchange for notes, solemn promises to pay gold on demand, would prove a true national blessing. But it was not so; the promise was a cruel and infamous lie; for, in the midst of these operations of the merchants, the Bank suddenly, and without warning to them or to the general public, shut down upon

them with effects so powerful and trenchant that gold already in ships at Liverpool ready for departure to America was actually relanded and restored to the custody of the Bank! The expected and intended consequence of the measure of the Bank was—panic; and the whole kingdom was plunged into financial disorder and distress, which continued with more or less severity throughout the whole summer, and finally culminated, in September and October following, in business failures which, according to Mr. Tooke, were beyond all precedent in the history of the country. And thus it was that, to the horrors of famine in some parts of the kingdom and want in all parts of it, were added financial calamity and suffering. The losses occasioned by this panic, produced by the action of the Bank, were stated by Mr. E. S. Cayley, a distinguished member of the House of Commons, at three hundred millions of pounds sterling, or fifteen hundred millions of dollars!—a very dear price, he said at the same time, to pay for the convertibility of a hundred millions of bank notes! But it was a roaring time for the Bank and the money-lenders; they garnered what others, with exceeding labor and pains, had sowed and reaped. The Bank of England made profits in 1847 amounting to more than 2500 thousand dollars as against 1100 thousand in 1846: and in the three panic years, 1847, 1857, and 1866, made over nine millions of dollars, while its profits in twenty-two years of ordinary business were a yearly average slightly over eleven hundred thousand! Now, I defy you to find in all the annals of inconvertible paper money, either in war or peace, anything more shocking and infernal than this honest-money smash-up in Great Britain in 1847. And I may observe here, that after this panic, as after every other that has taken place since resumption of specie-payments in 1821, an event which, according to Mr. Peel, Mr. Ricardo, Mr. Canning, and the rest, was to make panics forever impossible, the British people have been regularly lectured by the honest-money press and sophisters of the kingdom about their extravagance, their overproduction, and their general devilry and “cussedness,” but they lecture not at all about overbanking, which is the real difficulty at last. Bankers and money-lenders are like the king, of whom it is said that he can do no wrong.

Mr. EWING. But was not the Bank compelled to resort to severe measures in order to keep her reserves from utter exhaustion?

Mr. SCHUCKERS. No doubt it was. There is no doubt at all that, under the paper system existing in Great Britain, the Bank had no alternative but to destroy as she did. But what I say is, that a system which imposes such necessities is radically vicious and profligate, and ought not to be allowed to exist in any country.

Mr. BELL. Suppose there had been an inconvertible paper system existing in Great Britain at that time, such as now exists in the United States; what then?

Mr. SCHUCKERS. I will tell you what I think. Having no gold to send, they would have sent commodities to France and America to be exchanged for corn and beef at lower prices than formerly. No doubt this would have compelled increased exertions and sacrifices on the part of the laboring people, but the capitalists would have had to bear their share of the sacrifice, if not of the labor; and in the greater activity of the markets of the kingdom, and in the certainty of work to do and pay for doing it, the workers would have had some compensation at least for their sufferings. As it was, thousands and tens of thousands of them were put out of employment, and the miseries of themselves and their families fearfully intensified, while scores and hundreds of merchants and manufacturers were bankrupted and ruined, and the

trade of the kingdom immensely obstructed. Although there was a great fall in prices, in the absence of work and wages, the laboring people could not profit by the fall; but, as I have before said, it was a rousing good time for banks and bankers; and they made money. Lord Ashburton, in his celebrated pamphlet on "The Commercial Crisis Considered," commenting on the occurrences of 1847, says that the character of the demand for gold that then took place ought to be regarded; "it was," he says, "for food suddenly wanted."

Mr. EWING. You would prefer the inconvertible system?

Mr. SCHUCKERS. Yes, sir; I would.

Mr. BELL. How would you regulate such a system?

Mr. SCHUCKERS. I would prefer a constitutional provision, but in the absence of that would be willing to intrust the regulation of the currency to Congress.

Mr. BELL. There is great prejudice in the public mind against giving Congress the power to regulate the currency. It is believed that it would be badly exercised.

Mr. SCHUCKERS. Yes; such an objection is urged. I would like to see a constitutional provision on the subject, but would not be afraid to trust Congress. We intrust great powers to Congress; among others, those of laying taxes, of borrowing money, of regulating commerce, of coining money and fixing its value, of declaring war and making peace, and, of course, of raising armies and providing a navy, and, in a word, of conducting all the great affairs of state. The exercise of these powers touches every interest, public and private; and while it is undoubtedly true that in some instances weakness and corruption prevail in legislation, the general rule is, that the legislative powers are honestly and wisely exercised, and that the real wish of Congress is to promote the public good. I don't believe it would be very dangerous to intrust to it the further power of regulating the currency. The country would be as watchful and jealous of its rights and interests in that respect as it is jealous and watchful of its rights and interests in respect of the other matters committed to the action of Congress, and there would be no serious danger, in my judgment, of any great abuse of that power. Besides, if it is not limited by constitutional provision, it must be exercised either by the banks, or by the Secretary of the Treasury, or by Congress. Mr. Sherman informs us that, so far as the United States notes are concerned, he is himself going to regulate them after the 1st of January next. I don't know where he will get authority to exercise so extensive a prerogative; there is nothing in the resumption act conferring it, that I am able to see, and I don't believe Congress could constitutionally delegate to him such a power, even if it would, but he says he is going to exercise it any way. He proposes to erect a great national bank, of which he will be president, vice-president, board of directors, and Grand Panjandrum generally; and a great deal a "bigger man" than Nicholas Biddle ever dreamed of being, when he reigned as king of the money-markets of this country. Mr. Sherman will make United States notes scarce or plenty as he shall think best; at times and in such ways as he shall think best; with or without notice to the public, or to Congress, or to the banks, as he shall think best. He says he won't abuse this power, because he will always be under the eye of Congress. To be sure he won't always be under the eye of Congress; but it strikes me that if Congress is wise and honest enough to regulate a Secretary who regulates the currency, it is wise and honest enough to regulate the currency without the intervention of the Secretary. And I may here remark, that the Secretary's proposition to make legal-tenders scarce or plenty, as he

shall think best, in order to keep them convertible into coin, exhibits in a sentence the vicious character of the methods necessary to that kind of a currency. It implies a systematic unconstitutional coercion and interference with the business of the country which is not likely to make Mr. Sherman very popular, or to be long endured. Our present system needs no such coercion and interference with the business affairs of the people by a Federal officer. The duty of Congress with respect to it is very simple, and this duty is discharged by keeping the volume uniform and expanding it proportionately to the growth of the country. That Congress has been more steady and attentive to the public interest, or, at any rate, to what Congress believed to be the public interest, in the management of the United States notes, than the banks have been with respect to the management of their part of the circulation, a reference to our financial history during the last ten years will prove. The outstanding greenbacks on the 1st of January, 1868, were 356 millions, increased to 382 millions, or $7\frac{1}{3}$ per cent., on the 1st of January, 1875; and reduced to 349 millions, or $9\frac{2}{3}$ per cent., on the 1st of January, 1878. The reduction since 1875 has taken place in pursuance of the resumption policy—a policy supposed to be, most mistakenly, as I think, however, in the public interest, by restoring the metallic standard. The banks increased their circulation from 300 millions on the 1st of January, 1868, to 354 millions, or 18 per cent., on the 1st of January, 1874, and down to 300 millions, or 18 per cent. again, on the 1st of January last. Their reduction in 1876 was 25 millions, or $7\frac{2}{3}$ per cent. in the course of a single year. This reduction was not in the interest of the public, but was exclusively in the private interest of the banks, and was done to secure the high price of bonds prevailing in that year. While it would no doubt be altogether the best to have the circulation limited by constitutional provision, it is quite certain from this showing that Congress would be more likely to keep it uniform in volume than the banks. The government circulation has varied 17 per cent. in ten years, and would not have varied so much but for the persistent and pernicious influence of the banks on Congress; while that of the banks has varied 36 per cent., not in answer to the requirements of the public, but solely to promote the private interests of the bankers.

MR. BELL. Would a currency regulated by Congress be sufficiently flexible?

MR. SCHUCKERS. A really flexible currency does not exist. A currency to be flexible, in the sense in which you use the phrase, ought to be sufficiently so to meet great exigencies, but no convertible currency is so or can be made so; and I do not know, indeed, that the object of making bank or other notes convertible into coin upon demand proceeds at all upon the idea of securing flexibility. The real purpose of convertibility is to make the whole currency uniform in volume and value. The proof that a convertible currency cannot be flexible is found in the constant necessity the banks are under to prevent the free movement of gold and silver between the nations by coercive measures, sometimes productive of great calamities and suffering. If the system were really flexible the metals would, of course, be allowed to come and go without artificial obstructions of any kind. But they are not allowed to do so. The British panic of 1847 furnishes a painful illustration in point. Although there was at that time the greatest possible necessity for the exportation of gold—none greater can well be imagined—it could not be allowed. At the very moment an expansion of bank-notes became necessary to the public in order that the gold might go, it became necessary to the system to contract the notes that the gold should not go. When plentier money

and low rates were of the first importance to save the public, scarce money and high rates were necessary to save the system. In September, 1846, the circulation of the Bank of England was 107 millions, and the rates of discount on first-class bills 3 to $3\frac{1}{2}$ per cent.; in October, 1847, the circulation was down to 93 millions, and the rate of discount, nominally at 8 and 10 per cent., was anywhere from 10 to 30 per cent., according to the time the bills had to run. The system was saved, but at an expense of frightful physical suffering and vast public and private losses, for among other things the revenues fell away. Now, what the country really needs is a system which, if it cannot promptly expand in seasons of extraordinary pressure, at any rate will not contract, as the metallic system necessarily must, for the reason that, as the paper notes of a bank must conform to the gold and silver at the command of the bank to pay them with, so as the gold and silver diminish the notes must diminish also. In this sense the system is flexible, but it is a kind of flexibility destructive of all regularity and stability in business.

Mr. BELL. Do you think a system of inconvertible notes is more likely to promote speculation and fluctuation in prices than take place under the convertible system?

Mr. SCHUCKERS. There is no proof that it is. Mr. Tooke says, distinctly, that liability to expansion and collapse of credit have not been confined to the inconvertible state of the British currency, and he says, too, that the example of the currencies of Continental Europe is to the same effect. There is no proof that the causes leading to the panic in this country in 1873 were due to an inconvertible currency any more than that the causes which led to the great British panic of 1866 were due to a convertible currency. The English writers on currency have pretty much got over the habit of attributing to the paper notes all the ills that attend upon our modern commercial and industrial system. Lord Overstone says that even under a circulation exclusively of gold there might be great abuse of credit, delusive appearance of prosperity, consequent revulsion and commercial embarrassment! and admitted, moreover, that under the stringent and restrictive convertible system of Great Britain the spirit of commercial speculation had been pushed to the most extravagant lengths. Colonel Torrens calls attention to the fact that in 1845, under an exceedingly restricted state of the paper notes of the kingdom, the amount of railway capital Parliament was asked to authorize at a single session amounted to 1700 millions of dollars, and says that if he included all the other new schemes in which scrip or letters of allotment were selling in the London market in August and September of that year at a premium, the grand total could not be estimated at less than 2500 millions of dollars! Yet the whole outstanding paper circulation of Great Britain, at the same moment, was only 193 millions of dollars! and convertible into coin at that.

Lord Overstone sums up the causes which affect the state of trade in an admirable way. They are, he says, "the buoyant and sanguine character of the human mind; miscalculations as to the relative extent of supply and demand; fluctuations of the seasons; changes of taste and fashion; legislative enactments and political events; excitement or depression in other countries connected by active trading intercourse; an endless variety of casualties acting upon those sympathies by which masses of men are often urged into a state of excitement or depression; these, all or some of them," he says, "are generally the original exciting cause of variations in trade, the currency being a subordinate agent." "So long," he says, "as human nature remains what it is, and hope springs eternal in the human breast, speculations will sometimes occur

and bring with them their attendant train of alternate periods of excitement and depression. Those who expect to find in the most perfect management of the circulation the magic power to secure perpetual ease and undisturbed steadiness in commercial affairs, are like the alchemists in search of their mysterious secret; and the discovery if made would prove equally useless. Storms and tempests are not more certain and inevitable in the material world than are the periodical convulsions of commercial affairs;" and he adds that "they both serve similarly useful purposes." "What we are in the habit of calling the 'state of trade,' he says in another place, "is an instructive lesson. We find it subject to various conditions which are periodically returning; it revolves, apparently, in an established cycle. First, we find it in a state of quiescence; next, improvement; then growing confidence, prosperity, excitement, overtrading, convulsion, pressure [pressure is Lord Overstone's constant synonym for panic], stagnation, distress, ending again in quiescence." This is Lord Overstone's description of the constantly recurring revolutions in commercial affairs under a system which is supposed to be the final attainment of honest-money wisdom. Nothing worse, certainly, can truly be charged against the American system.

Now, as to fluctuations in prices, it is demonstrable that they are just as great and frequent, if not indeed greater and more frequent, under the specie-paying system of Great Britain than under the non-specie-paying system of the United States. One of the most persistent of the charges made against our system is that under it prices are peculiarly liable to fluctuate. The Secretary of the Treasury charged this in his conference with this committee. But I venture to say that the Secretary has never made any investigation at all into the subject; he simply assumed the whole case; and I venture to say, moreover, that of all those who have made this charge not one in ten thousand has made any comparison whatever with a view to reach the truth. Lord Overstone said that he was unable to detect any clear or marked differences in prices under the two systems, the convertible and inconvertible, as they have existed at different times in Great Britain; which was really an admission in favor of the inconvertible system, seeing that it existed in war times, when everything was in a greater or less condition of turbulence, while the other system had the advantage of peace. Mr. Tooke says as much. In the History of Prices, after the most exhaustive induction of facts during the suspension by the Bank of England, from 1797 down to 1827, he declares that whatever variations took place were due to other causes than the operation of the currency; that is, that they grew out of the disorders of the wars. It is not possible to make any really just comparison of our prices with prices in England since 1867, owing to disturbing causes that have operated exclusively among us, but it is perfectly certain that if the variations growing out of modifications in taxes, the panic of 1873 and the resumption act, be counted at only 40 per cent. even, then our paper prices have not varied so much as the metallic prices of Great Britain. Forty per cent. is a very low estimate of the effects produced by the causes named. That the prices of the country have been affected by some agency operating upon them all is proved by a progressive and uniform decline throughout the whole range of our markets.

Without going farther into this branch of this great subject—the greatest to which this people can at this time give their attention—the history of paper notes in all countries warrants me in saying that whatever choice exists as between their two principal forms, the con-

vertible and inconvertible, it is clearly with the latter. At all events, the advantages of the convertible system are not so great and preponderating as to justify the further pressure that must be put upon the country in order to substitute it for our existing system.

Mr. BELL. You say "the further pressure that must be put upon the country in order to establish the metallic in place of the existing system." You mean by that expression that we have not yet reached bottom, and that further sacrifices are necessary?

Mr. SCHUCKERS. Yes, sir; that is what I mean.

Mr. EWING. But if further sacrifices are necessary, then Mr. Sherman will not be able to resume next January?

Mr. SCHUCKERS. I do not mean to say that Mr. Sherman cannot pay gold and silver in exchange for United States notes, and in discharge of other obligations of the government, after the 1st of January next, so long as he has gold and silver to pay with; but what I do say is, that a genuine and permanent system of specie payments, such as now exists in Great Britain, France, Germany, and the other specie-paying countries of Europe and upon our Pacific coast, is impossible to be established in the circumstances of this country as they will exist at that time. Either a continuous artificial pressure must be exerted to protect it, or it will collapse from constitutional weakness. My belief is that continued operations upon the currency after the 1st of January will be impossible; that the country will not submit, and that if any attempt at specie payments is made at all, it must be a real one; in which case, in my judgment, its collapse is a question of a few months at furthest. I must repeat, however, that I do not see by what means the apparently nominal premium of $\frac{1}{2}$ or 1 per cent. on gold is to be broken down; and of course until that is done no resumption can be even attempted.

Mr. BELL. The Secretary says the people will not want gold and silver when resumption takes place.

Mr. SCHUCKERS. If Mr. Sherman's resumption be genuine, that is, if Mr. Sherman pays out gold freely to those of the people who will want gold for notes, and to those of the public creditors who in good faith will ask for gold in payment of their claims, he will very early be undeceived on this point. If they do not want it for their own personal use, they will want it to sell. By this I mean that the American people are not likely to allow 50 or 60 millions of gold to lie idle and useless in the Treasury vaults when they can export it at a profit. If they can have gold as freely as they can have notes they will take the gold and send it to Europe.

Mr. BELL. Why do you say that the people will not allow 50 or 60 millions to lie idle and unused in the Treasury? According to Mr. Sherman's calculations there will be in the Treasury, available for resumption, 125 or 135 millions of gold and silver, independently of that held by the banks.

Mr. SCHUCKERS. Mr. Sherman greatly overestimates his resources—at any rate, those available for resumption of specie payments. And if the committee will allow me to do so I will go into this matter with some partiality. I was present during the conference with the Secretary on the 1st and 4th of April, and heard him explain his plans with great minuteness. They are very plausible; as the detectors say of good counterfeits, "they are well calculated to deceive." But they cannot stand a very close examination without discovering their weakness. Mr. Sherman says he expects to have in the Treasury on the 1st of Janu-

ary next,* the date at which resumption is to take place, \$188,357,000. But in order to arrive at the final sum that will be available to him at that time for resumption he deducts four items: Coin-certificates outstanding, interest due and unpaid, called bonds and interest thereon, and credits to disbursing-officers and outstanding checks—a total of \$75,799,000; thus leaving, as “actually available,” according to Mr. Sherman, for resumption purposes, \$112,558,000. Mr. Sherman says, however, that in an emergency, which he does not think will ever arise, he can use at least one-half the balances standing to these several accounts (excepting coin-certificates), amounting to nine millions, thus enlarging his “available” funds in what he calls “a business sense” to \$121,558,000. He proposes further, should the emergency be great, to issue nine or ten millions of coin-certificates to pay off legal-tenders, which, he says, he has a right to do under the law, thus adding, in “a business sense” again, nine or ten millions more to his available funds. But no such absurd claim as this can be conceded, as you will agree. After resumption of specie payments, coin-certificates and United States notes will be demands against the Treasury of exactly equal obligation, though the former are held against a special fund; and that Mr. Sherman gravely proposes to pay one paper note with another paper note, nominally its coin equivalent but actually less in value, seeing that the note to be paid is a legal tender, and that the note he proposes to pay with is not, shows the lamentable confusion reigning in his mind as to what “specie payments” really means. Mr. Micawber’s method was exactly this, so that Mr. Sherman’s has not even the merit of a ridiculous novelty.

Mr. EWING. Clearly, the Secretary will not be able to use coin-certificates in the way he suggested.

Mr. SCHUCKERS. Undoubtedly not. Conceding all Mr. Sherman’s other claims, he will have just \$121,558,000 of funds in the Treasury belonging to the government available toward resumption, according even to his own showing. But he makes no reservation whatever on account of interest accruing on public debt due in January next—about sixteen millions—but includes in his funds “available for resumption” the whole supply of coin in the Treasury when the operation begins.

* In his interview with the committee on the 4th of April, Mr. Sherman submitted the following table, showing the condition of the Treasury at that time, and its “probable condition” on the 1st of January next:

| | Actual condition April 1, 1878. | Probable condition January 1, 1879. |
|--|------------------------------------|--|
| Demand liabilities, April 1, 1878: | | |
| Legal-tender notes | \$347,848,712 00 | \$340,000,000 00 |
| Coin-certificates | 57,883,400 00 | 57,883,400 00 |
| Interest overdue | 4,121,146 77 | 4,000,000 00 |
| Debt, matured and interest | 8,439,391 04 | 8,000,000 00 |
| Currency-certificates | 25,215,000 00 | 25,215,000 00 |
| Fractional currency | 16,950,115 62 | |
| Demand notes | 62,342 50 | |
| Unclaimed Pacific Railroad interest | 7,267 03 | |
| Totals | 460,527,374 96 | 435,098,400 00 |
| Demand resources, April 1, 1878: | | |
| Coin | 138,357,608 14 | 188,357,608 14 |
| Currency | 35,966,851 35 | 35,966,851 35 |
| Totals | 174,324,459 49 | 224,324,459 49 |
| Percentage of resources to liabilities | | |
| | 37 | 51 |

That this will be a daring and perilous experiment is attested by the fact that, while his whole "available" funds aggregate one hundred and twenty-one and a half millions, one hundred and seven and a half millions will be borrowed money! leaving fourteen millions as the amount derived from surplus revenues specifically set aside by law for interest on public debt, and not enough to make good the outstanding interest accrued up to the day resumption begins! and this, too, after depleting the sinking-fund of over thirty-two millions in the past four years. And you will allow me to observe, that as no bank or government has ever yet succeeded in supporting a system of convertible notes on borrowed coin, so no bank nor government ever will.

Again: The point of redemption of the legal-tenders under the resumption act is fixed at the assistant treasurer's office in New York. The aggregated demand for redemption is thus concentrated upon a single fund, and to make actually available all the coin belonging to the government in order to meet it, Mr. Sherman must denude every other sub-treasury, mint, and assay-office and bank depository in the country of every dollar in its possession. But this cannot happen, nor, obviously, can any considerable part of the coin held elsewhere be made available. The positive requirements of the public business forbid; specie payments will exist every where in the country after the 1st of January next, and public creditors may ask coin in good faith at all points where the government pays at all; and if you will take the trouble to foot up the metals at other places than New York, as shown in tables 2, 3, and 4 of the appendix to the printed conference I hold in my hand, you will find that on the 1st of February last it was over twenty millions, on the 1st of March twenty-three and a half millions, and on the 1st of April twenty-five millions. If you take the smallest of these sums as representing the average and necessary holding of the government at other points than New York, then the whole amount of coin available at that city will be \$100,558,000.

Even this, however, does not conclude the case. For the truth is, that the amount of coin really available to Mr. Sherman for resumption purposes on the 1st of January next, or at any other time, is that sum only of his whole reserves which, according to recognized and established principles of banking, he can pay out before he must either suspend payment or lay an artificial pressure upon the money market to prevent their exhaustion. Mr. Sherman's reserves, I beg you carefully to remember, have no automatic and natural connection with banking and commercial movements, and his resources for maintaining them are of a surprising and extraordinary kind. They are derived wholly from taxation (surplus revenues) and by borrowing (through sale of bonds). Whatever gold and silver he already has or may get is relatively an unvarying and fixed mass, upon which the debts of the government and the demands of the banks and of the general public will exert a continuous dead pressure.

It is not necessary to enlarge upon the novelty of this proposed system, to justify me in saying that it is so abnormal in principle and so wholly untried in practice, and so complicated, besides, with public-debt payments and other public disbursements, that, to establish and preserve confidence, a reserve large enough to sustain considerable depletions without exciting apprehension and alarm must be steadily kept up. I don't think any good banker in New York—Mr. Vermilye, Mr. Coe, or Mr. Cisco, for instance—would put the limit below which it could never fall so low even as 70 or 80 millions. When the metallic reserve in the Bank of England falls even to 100 millions, the greatest alarm, if not

actual panic, prevails alike in banking and commercial circles in Great Britain. Mr. Sherman proposes to begin paying, you see, at the very point where the Bank of England stops paying and applies the severest pressure.

Let us say, however, that the minimum below which Mr. Sherman's reserves can never fall is 60 millions, which is 40 or 50 millions too low; then his ultimate and efficient preparation for resumption, so far as its metallic side is concerned, will be represented by the sum of \$45,558,000, and no more, if even so much.

Now, this is neither fallacy nor trifling with facts and figures. The Treasury is no stronger than its weakest part, and hence no stronger than its disposable reserve. If the disposable reserve be strong, the Treasury will be strong; if the disposable reserve be weak, the Treasury will be weak. And it will be strong or weak with relation, of course, to the demands to which it must respond. The demands to which it must respond on and after the 1st of January next will be, directly, 340 millions of legal-tenders, and, indirectly, 300 millions of national-bank notes and the whole bank deposits of the country. That this disposable reserve bears no real or even approximate relationship to these demands is clearly evident. A depletion of 15 or 20 millions, possibly even of 10 millions, would precipitate a "run" utterly exhaustive of it in a single day.

MR. EWING. The Secretary says his reserves are independent of the banks. He says the banks must take care of themselves.

MR. SCHUCKERS. Yes; I know he says so. I heard him say it. But it is not difficult to show how fallacious his belief is on that point. But before doing so I wish to call your attention to one of the most serious of Mr. Sherman's many misapprehensions upon this subject, and which illustrates perfectly the narrow view he takes of it, and which is participated in by many others, I am very sorry to say. If you will turn to appendix No. 7 of the printed conference, you will see that he there makes a statement in which is shown the present condition of the Treasury and its probable condition after the 1st of January next. This statement distinguishes the demand liabilities as they will then exist into two classes, "coin" and "currency." The country has been so long accustomed to "coin" and "currency" as distinct things, that Mr. Sherman, for one, seems unable to disengage himself from the notion that these distinctions are to continue after resumption of specie payments is established, and that no coin liabilities can exist except such as are specifically for coin. But this is certainly an entire and most important mistake. I submit that after the 1st of January next, if the resumption act is enforced, there will be no obligation of the government which will not be payable in coin. Specie payments means this or means nothing. If I am right, then all the creditors of the government who desire coin are entitled to receive coin. This fact is of supreme importance in this respect, that the business of the subtreasurer's office at New York is between seven and eight hundred millions of dollars a year; and nothing in the world is more certain than that Mr. Sherman's whole disposable reserve may be drained away from him by public creditors in 20 or 30 days, or even less time, without the presentation of a single legal tender for specific payment in coin! It was not necessary for General Ewing to seek to show, therefore, that a "run" by the national banks was the particular peril menacing Mr. Sherman's reserves; although Mr. Sherman showed decisively enough—despite his repeated asseverations, that, the legal tenders being scattered all over the country, enough of them could not be concentrated upon his reserves to imperil

them—that it could be done with the utmost possible ease. On pages 48 and 49 of the printed conference, he said that five millions out of the fifteen millions of five per cent. redemption fund of the national banks held in the Treasury was continually in course of transfer between the Treasury and the banks, and that each bank was allowed ten days within which to make good its legal-tender reserve. This implies a movement of five millions of legal-tenders into and out of the Treasury every ten days, or fifteen millions a month, or one hundred and eighty millions a year! But, in point of fact, the redemptions of bank-notes, notwithstanding the difficulties in the way of assorting and presenting them at the Treasury for payment, described by Mr. Sherman on page 58 of his conference with this committee, proceed much more rapidly even than at the rate of one hundred and eighty millions a year, for in 1876 they amounted to two hundred and four millions of dollars, and in 1877 to two hundred and thirty-six millions! How long would it take the banks at this rate to exhaust his disposable reserve should they once begin upon it? And could they not make the movements twice or thrice as rapid if they should exert themselves to that end? and by what possible means at his command could Mr. Sherman replenish his reserves as rapidly as the banks could exhaust them? If you suppose a drain of fifteen or twenty millions to have taken place for export, just to that extent not only is the Treasury depleted but its power of replenishment lessened, for Mr. Sherman will find no metallic reserves among the people nor private hoards from which to draw. He will fish in a dry well. Moreover, the banks hold a large sum of “currency certificates,” aggregating twenty-five or thirty millions, which may be precipitated upon the Treasury gold, by concert of action among the banks, in a single hour!

And this brings me to say that Mr. Sherman’s declaration that the national banks must take care of themselves is another characteristic fallacy. In one of his colloquies with General Ewing he undertook to show an analogy between his proposed bastard-bank system and that of the Bank of England. But it failed, because no such analogy exists. The Bank of England—technically the banking department of the Bank of England—issues no circulating notes. The “issue department” of the Bank of England is, in the language of Lord Overstone, a department of state. It is entirely distinct and separate from the banking department, and in its functions wholly automatic and mechanical. It issues notes to the public in exchange for gold and gold in exchange for notes. This is its function, and absolutely all; unless retiring worn-out or mutilated notes in exchange for new notes be also called a function. It can neither increase nor diminish the paper circulation except in absolute obedience to the public requirements; and the Bank of England, properly so called—technically the banking department of the Bank of England—buys its notes with gold exactly as any other banking establishment or private person must do, and in this respect is in no better position than the humblest of the Queen’s subjects. This “issue department” connects itself directly and intimately, therefore, with the banking and commercial interests of the kingdom, and this naturally and without any effort of its own. Its position on the 3d of April was this: It had outstanding circulating notes to the amount of \$187,880,375, and gold coin and bullion in its vaults to the amount of \$112,880,375, and government debt and other securities to the amount of \$75,000,000, making a total of \$375,760,750. Leaving entirely out of sight the government debt and other securities, it still has more gold to meet one hundred and eighty-eight millions of notes (fifteen millions of which, by the way,

are constantly in use upon the Continent) than Mr. Sherman will have to meet three hundred and forty millions, with this further difference, that Mr. Sherman's gold is borrowed—borrowed to the very last dollar of it—and is, besides, complicated with various public and private accounts: interest accruing, interest due and unpaid, called bonds and interest, disbursing officers' and other demands, subjecting it to more or less constant drain, while the gold in the issue department of the Bank of England is solid capital, held for one purpose only, and can be applied to no other—namely, the redemption of circulating notes.

It is impossible to see any likeness between this powerful and impregnable British department of state and the bastard bank system Mr. Sherman proposes to establish next year.

But if you will take into view the whole British banking system and this issue department or department of state, and then the relations that must arise between the national banks and the New York sub-treasury next year, we can see the true likeness, so far as it goes, and the supreme mistake Mr. Sherman makes in supposing it possible to separate the Treasury from the banks. I will show you how this is:

Bank of England notes are a legal tender everywhere in England except at the counter of the Bank itself, where they are payable in gold on demand.

After the 1st of January next United States notes will be a legal-tender everywhere in the country except at the office of the subtreasurer in New York, where they will be payable in gold and silver on demand.

The reserves of the Bank of England, technically the banking department of the Bank of England, as well as of the other joint-stock and private English banks, are made up of gold coin and Bank of England notes—chiefly of notes. The English country banks keep a large part of their reserves or balances with London banks. These London banks trade with some part of the reserves or balances of the country banks, and keep the remainder on deposit with the banking department of the Bank of England. The Bank of England holds these reserves subject to call, of course, and when demand is made for gold, converts its notes into metal by presenting them at the counters of the issue department for payment. It is in this way that the issue department is constituted the ultimate metallic reserve of all the banks in England.

The reserves of the American banks follow a precisely analogous course. Their reserves are made up of United States notes and gold and silver coin; at this time almost exclusively of notes. The "country banks" keep a large part of their reserves or balances on deposit with certain "city banks" in what are called the redemption cities, and some of them in New York, and the "city banks" keep a large part of their reserves on deposit with "New York banks," and the "New York banks" in their turn keep a large proportion of their reserves—both paper notes and coin—on deposit in the subtreasury in that city; both, however, under special contract, as witness the Revised Statutes and the "coin" and "currency" certificates held by the banks.

The course of banking affairs in the United States and England is, as you perceive, precisely analogous; and when a demand is made upon the New York banks for coin, no matter from what quarter it comes, whether from "country" and "city" banks, or from the general public, those banks must meet it by presenting their paper notes, either coin-certificates or legal-tenders (and preferably the latter, of course, as the former are held against a special fund under a special contract, and therefore entirely safe, while the latter are not), at the subtreasury for pay-

ment. The coin in the subtreasury at New York thus necessarily becomes the ultimate metallic reserve of all the banks in the country, as the gold in the issue department of the Bank of England is the ultimate metallic reserve of the English banks, and must respond in exactly the same way. How long it could respond to any serious demand is easily computed.

Mr. BELL. Your analogy undoubtedly shows the true state of the case.

Mr. SCHUCKERS. I really think it does; but I am not yet at the end. It is possible to show, by what seems to me a sort of mathematical demonstration, the impossibility of anything like permanent resumption of specie payments in this country next January. Nobody will dispute that specie payments means a condition of the monetary circulation in which the prompt and certain convertibility of the paper notes, by whomsoever issued, into metallic money upon demand, is completely and permanently assured. But this is not all. It means, further, a condition of the banking and commercial interests in which all values and prices are at the metallic level, and in which merchants and manufacturers freely deposit their gold and silver in the banks and as freely draw it out; it means, that is to say, the voluntary and spontaneous flow of the precious metals into and out of the banks and among the people precisely as the paper notes do, and their payment in all cases where in good faith required.

This is, in brief, the system of specie payments prevailing in Great Britain, Germany, and France at this day, and is the only system that can exist in this or any other commercial country in this age of the world. No artificial restraints, nor artificial arrangements or combinations of any kind can prevail for the support of a merely nominal convertibility. The forces that govern the movements of the precious metals among the nations operate with an irresistible pressure, and can no more be defeated by device and contrivance than device and contrivance can operate to defeat the ebb and flow of the tides.

Two facts attend upon the specie-paying system, which both reason and experience show to be necessary and inseparable from it, and which constitute, indeed, the law of its being. These facts are:

1. The presence in all specie-paying countries of a great central reserve or hoard of metal, upon which must primarily fall all the unusual and extraordinary demands of the banks or the public for gold and silver. In France this great central reserve or hoard is found in the Bank of France at Paris; in Germany, in the Imperial Bank at Berlin; in England, in the Bank of England at London; in the United States, after the 1st of January next, it may or may not be found—"that will depend"—in the subtreasurer's office at New York.

2. The presence of an extensive metallic circulation among the people and private hoards of greater or less extent, to supplement or aid the central hoard when in course of serious or extraordinary depletion. Experience shows that these depletions usually take place for export abroad; according to Lord Overstone they fall both upon the metallic circulation among the people and upon private hoards, while Mr. Tooke says that there is always a mass of bullion in such a country as England, which, however, does not necessarily form a part of the internal circulation, that is kept for the purpose of settling international balances; though some of it, he says, as coinage is free in England, may be kept in the form of sovereigns. But that a large metallic circulation among the people, and private hoards of greater or less magnitude, must exist wherever specie payments exist, is proved by all experience.

The CHAIRMAN. These conditions do not exist in this country; that is, there is no metallic circulation among the people except a greatly debased subsidiary one, and no private hoards.

Mr. SCHUCKERS. There is certainly no gold and silver coin circulating among the people this side of the Rocky Mountains, other than subsidiary, except, perhaps, to some small extent in Texas; and if there be any private hoards they are of no importance; not extensive enough, at any rate, to afford relief in case of extraordinary demand. But we have a notable illustration of this universal law, that wherever specie payments exist—the reason of which I shall presently undertake to explain—there must be a large metallic circulation and private hoards among the people, right here in our own country. It seems to have escaped observation that the specie-paying system on the Pacific coast is a complete refutation of the belief of Mr. Sherman and the resumption doctrinaires, that it is possible to establish in the United States a system of convertible paper notes without any coin among the people; in other words, that the public will prefer paper notes to gold and silver when gold and silver can be freely had in exchange for notes. The metallic system, as you know, has never been given up on the Pacific coast. The paper circulation of that coast does not exceed five millions of dollars, including national-bank notes, gold-bank notes, and legal-tenders, while the metallic money in the banks and treasuries and among the people is, according to Dr. Linderman's estimate, thirty-two and a half millions. I conceive this state of facts, existing among an entirely characteristic American population, who keep up the metallic system, fatal to Mr. Sherman's whole system of reasoning. The unrelenting law that governs convertible currencies in all countries does not fail, and cannot fail, to assert itself in America as it does everywhere else.

Mr. EWING. This law requires that Mr. Sherman shall largely reduce the paper circulation and increase the metallic circulation.

Mr. SCHUCKERS. Yes, sir. The conditions existing on the Pacific coast, and in all specie-paying countries, must be established before resumption can be permanently successful here. Those conditions are in pursuance of laws that govern the distribution of the precious metals and the convertible currencies among the commercial nations, and no resumption can be successfully established which does not conform to those laws. They have been laid down by Mr. Ricardo with great clearness and precision. According to that great economist, the precious metals employed in circulating the commodities of the world are divided among the nations in proportions according to their wealth and commerce, and therefore according to the number and frequency of the payments they are required to make. If there be no disturbing causes in operation, the prices of all countries will be at the true metallic level, and no temptation will exist either to send metal abroad or to import it.

If, however, from any cause, a rise of prices takes place in any particular country, it will become profitable to export the metals from that country, and more or less will go abroad, according to circumstances; but when the amount exported has so reduced prices that no further profit is derived from sending them abroad, their export will of course cease.

These principles, which are fundamental, may be illustrated by a hypothetical case. Let us suppose the currencies of France, Great Britain, and the United States to be purely metallic, and that the quantity necessary to circulate the commodities of France is 1,000 millions; to circulate those of Great Britain, 750 millions, and those of the United States, 500 millions. These are rough approximations to the true pro-

portions. Suppose, now, the discovery of a prolific gold-mine in the United States. Prices will rise here as the newly-mined gold is coined and put into circulation, and presently the excess will flow off into France and Great Britain, and as it does so the level of the metals will rise everywhere according as the production of the mine is greater or less.

But suppose that, instead of the discovery of a gold-mine, banks of issue are set up in the United States, whose metallic reserves aggregate 150 millions of dollars, and that, proceeding upon the belief and practice of bankers generally that they may issue three dollars of circulating-notes to one of metal held in reserve for redemption, they push out 450 millions of their promises to pay. The process both of creating the banks and pushing out the notes will, of course, be gradual; but as it goes on, prices will steadily be stimulated, and gold displaced by the notes and exported till an entirely new order of things is established. The active circulation of the United States consists now of 450 millions of paper and 50 millions of gold and silver, with 150 millions of metal in the banks, while the aggregate of the metals in Great Britain and France is enlarged to the extent exactly of the displacement in America. But meantime banks of issue are established in France and Great Britain also, and to the extent to which these French and British banks issue notes, the metal received into those countries from America is displaced and returned. If they issue 450 millions of paper, 450 millions of their gold and silver will be driven back and the original distribution of the metals restored. It is thus seen, and very plainly seen too, that the convertible currencies of the several countries of the world, if availed of to their full extent, as they are, must bear relations to each other in the ratio of their several metallic currencies. But it is known that neither the banks nor the government of any country has ever absorbed all the gold and silver in it as a fund against which to issue circulating-notes in the proportion of three to one or of two to one. If such a power really existed, either in banks or governments, banks for profit and governments under the pressure of necessity, whichever exercised it, would certainly push it to its limits, as Mr. Sherman vainly imagines he can do, and proposes to attempt to do, after the first day of next year; and we should then see nominally convertible notes far more abundant than we now see inconvertible notes, and correspondingly less valuable as they were greater in quantity.

But such a power does not exist. The power of a bank or a government to issue convertible paper notes is dependent on its power to pay them; that is, by the extent and solidity of its capital. But capital employed in this way, whether by banks or government, is itself limited; it is limited by the wants and necessities of the commerce and industry it is set apart to aid and promote. In other words, there is always existing, in every country, a real and approximately fixed proportion between its banking and note-fund capital and its capital engaged in production and exchange. These proportions exist in the nature of things, and if the foundation of the business system be metallic, it must be broad enough and solid enough to support the whole fabric, industrial, commercial, and bank, with safety; for it is incredible that one form of the working capital can be securely lodged upon gold and silver, and that all other forms—and those, too, which constitute the real capital—can be suspended wholly upon circulating bank paper. To say that this can be so is to say that there can be a circulation of arterial blood in a man's arms, and none in his head or his body or his legs. But the fact is, that wherever the banks are upon the specie basis it is because the

whole commerce and industry of the country are on the specie basis; and this, not through the merely intermediary agency of bank-notes, resting upon metallic reserves hidden away in bank-vaults, invisible to the sight and impalpable to the touch, but because of the actual physical presence of the metals everywhere throughout the industrial, commercial, and banking fabric, in quantity proportioned to the requirements of each and sufficient for each. Of the metals thus necessarily dispersed throughout the whole society, the banks can appropriate no more than that proportion of them requisite to the easy and safe performance of their share in the production and exchange of the country. Their issues of convertible circulating notes, if the convertibility of the notes be real and not merely nominal—and I repeat that no merely nominal convertibility can now be sustained in the United States, any more than in Great Britain, France, or Germany—must conform strictly to the amount of their metallic capital, and this capital, it is entirely apparent, necessarily comprises far the smaller part of the whole gold and silver of the country. And nothing is better settled than the principle that even a moderate excess of issues results in the exportation of metal.

Hence it is that convertible currencies, even in the richest nations, are so small in amount relatively to the whole metallic capital. They are limited by laws which neither banks nor governments can evade. Where any marked and extensive disproportion exists in any country, as compared with those currencies in other countries, it may be known that that country is out of relation to the system, and that it cannot retain its share either of the metals or of the convertible notes till its true relations are re-established. The interpretation of this is that the United States, in their present circumstances, are entirely out of place as regards the convertible paper system of the world. I mean by this that there are too many paper notes and too few gold dollars and gold eagles. We must have less paper and more metal.

General Warner, in his evidence the other day, gave tables showing the proportions between coin and paper as they now exist in Great Britain, France, and Germany, and as they existed in this country in 1854, 1857, and 1861. They so completely and forcibly illustrate what I have just been saying, that I wish to recall them to your attention. According to those tables, the proportion now existing in Great Britain is \$3.33 of coin to one dollar of paper; in France, \$3.10 of coin to one dollar of paper; in Germany, \$4 of coin to one dollar of paper. The proportion in this country, in 1854, was \$1.24 of coin to one dollar of paper; in 1857, before the bank explosion of that year, \$1.16 of coin to one dollar of paper; and in 1861, \$1.41 of coin to one dollar of paper. On the 1st of January next, if all Mr. Sherman's hopes are realized, there will be in the country FORTY CENTS OF COIN (including the 50 millions of greatly debased subsidiary silver) to one dollar of paper. But even this is subject to modification. The coin on the Pacific coast is over thirty millions and the paper five millions. We must leave the Pacific coast out of our calculations, because specie payments have never been suspended there; and the proportions of coin to paper on that coast are not different now from what they were four years ago. Leaving out the Pacific States, therefore, and calculating the proportions between coin and paper as they will exist in what I shall call the "legal-tender States," we find that after the 1st of January next we shall have in those States about thirty-two cents of coin to one dollar of paper!

General Warner's tables, put in another form, illustrate what I have said even more forcibly than by stating the per cent. of the proportions. Assuming that our supply of coin and convertible notes would be 750

millions if we were at specie payments, General Warner shows that to have the same proportion of coin to paper that now exists in Great Britain we should have 579 millions of coin to 171 millions of paper. This would require us to accumulate 329 millions more of coin and to retire 479 millions of paper. To have the same as in France, we should have 562 millions of coin to 138 millions of paper. This would require us to accumulate 312 millions of coin and to retire 462 millions of paper. To have the same as in Germany, we should have 600 millions of coin to 150 millions of paper. This would require us to accumulate 350 millions of coin and to retire 500 millions of paper. To re-establish the proportions existing in this country in 1861, we should have 439 millions of coin and 311 millions of paper. This would require us to accumulate 189 millions more of coin and to retire 349 millions of paper. To re-establish the proportions of 1857, we should have 403 millions of coin and 347 millions of paper. This would require the accumulation of 153 millions of coin and the retirement of 303 millions of paper. To re-establish the proportions of 1854, we should have 415 millions of coin and 335 millions of paper. This would require us to accumulate 165 millions of coin and to retire 315 millions of paper.

These figures of General Warner's seem to me entirely decisive of the whole question.

Mr. Sherman cannot reverse the law that governs convertible currencies in all countries, and at this period in the world's history more than ever before. He may reverse the existing conditions by a continuous unrelenting pressure upon the country, by five or eight years more of the "weary agony and struggle toward resumption" of which he spoke in his interview with the Senate committee, and so, by diminishing his notes and increasing his gold and silver reserves, bring the conditions into conformity with the law, but more than this he cannot do. The truth is, that he has the real work of resumption yet to accomplish. He must charge the channels of circulation to their natural necessary fullness with the metals; he must infuse 200 to 300 millions at least, at the same moment that he expels from them the excess of paper notes, whatever that excess may be; in my judgment not less than 250 or 300 millions of dollars, possibly even more. I do not mean to say that the paper notes are in excess of the requirements of the country with its business performed wholly with paper, but that they are immensely in excess as respects the specie-paying system. Mr. Sherman's difficulty is therefore of a double kind: unless he provides a sufficiency of metal he will fail; if he provides the metal and does not expel the excess of notes, he will fail just as certainly. This process of withdrawing paper and pushing out gold involves five or eight years more of the depression we have suffered during the last four years. I don't believe the country will stand it, but it must if specie payments are to be made permanent.

Mr. EWING. The Secretary thinks the balance of trade now apparently very much in our favor will continue so, and that under the operation of a continued favorable balance he can continue to accumulate gold.

Mr. SCHUCKERS. The balance of trade is a deceptive thing. It is frequently the effect purely of operations on the currency. I believe that to be the case now. A rise in general prices to the extent of 10 or 15 per cent. will reverse it, and it will be against us again.

Mr. BELL. But is a rise in prices certain to take place when specie payment is established?

Mr. SCHUCKERS. If there be a real confidence in the stability of Mr. Sherman's resumption, there will undoubtedly be a prompt and rapid

rise ; but in the absence of confidence we may expect a continuance of the present stagnation. If we assume that confidence is established, a rise in prices of 10 to 20 per cent. would lead to the exportation of gold. You must not forget the circumstances. If we count the gold in the banks and Treasury as taking the place of the paper notes that have been retired, the volume of the currency on the 1st of January next will not be materially different from what it was three and a half years ago, though its character will be somewhat changed ; nor will the volume of commodities be materially different. If the national wealth has not been actually diminished it certainly has not been increased. We have gained in some respects, but we have equally lost in others. Prices, however, by the joint pressure of the Federal Treasury and the national banks, have been forced down 50 to 60 per cent. When this pressure is relieved and there is an assurance that operations on the currency are at an end, prices will certainly rise. A rise of 10 to 20 per cent. will reverse the balance of trade, by which I mean that gold will be exported. The loss of ten or fifteen millions of the Treasury reserves of metal will precipitate a demand fatal to them ; then gold will go up to 3, 5, 8, or even 10 per cent. This is the course I think events will take.

On the whole, I am not able to see any prospect at all of a successful resumption at the time fixed by the law ; and this leaves entirely out of view the effects of the silver bill (which demonetized gold as effectually as if that had been the specific purpose of the bill) and various other circumstances of vital importance, the chief of which are : an immense foreign debt, an extensive absenteeism of Americans traveling and residing in Europe, and transportation of our freights and passengers in foreign bottoms. War, political events, deficient harvests, and commercial difficulties at home and in other countries are also facts peculiarly affecting specie payments in the United States. "The long and weary agony and struggle toward resumption," spoken of by Mr. Sherman in his interview with the Finance Committee of the Senate, have been made endurable to the people by the promise of a swift and brilliant revival immediately that specie payments is established. Mr. Sherman promised it in the little speech he made the other evening at Cleveland. If it does not come, the country will most certainly explode resumption by an enlargement of the currency sufficient to restore prosperity ; if it does come, Mr. Sherman's resumption will collapse from organic weakness. My belief is that the difficulties in the way of establishing the metallic standard in this country are so preponderating and insuperable that no member of this committee will live to see it accomplished ; and that the paper system will last till it is destroyed by some social or political calamity which will be fatal to it and to the union of the States at the same instant. What is before us is, as I think, measures for its wise and permanent regulation.

Mr. BELL. It is not very difficult to see that, in your opinion, the resumption act ought to be repealed.

Mr. SCHUCKERS. It ought to be repealed with as little delay as legislative forms will permit.

